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Respondent White Pacific Securities, Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

DENISE R. REED,

Petitioner

v.

WHITE PACIFIC SECURITIES, INC.
and ROY L. PANELLI,

Respondents.

Case No.: C07-3648 CW

**DECLARATION OF ROBERT T.
SULLWOLD IN SUPPORT OF WHITE
PACIFIC'S OPPOSITON TO REED'S
MOTION FOR ATTORNEYS' FEES**

Hearing Date: January 10, 2008
Time: 2 p.m.
Courtroom: 2 (Hon. Claudia Wilken)

I, Robert T. Sullwold, declare as follows:

1. I am a member of the Bar of this Court and am one of the attorneys for White Pacific Securities, Inc. ("White Pacific"), respondent herein. I make this Declaration of my own personal knowledge and, if called as a witness, could and would testify competently to the matters stated herein.

2. Our firm became involved in this dispute after an arbitration panel entered an award against White Pacific in the matter of Denise R. Reed, claimant v. White Pacific Securities, Inc. and Roy L. Panelli, respondents, N.A.S.D. Arb. No. 04-03449. The award denied all of Reed's claims for damages but recommended expungement of certain statements from the records pertaining to Reed at the Central Registration Depository ("CRD"). The arbitrators also awarded Reed \$158,797.10 in attorneys' fees.

3. On behalf of White Pacific, we filed a motion asking the arbitrators to apply the standards set forth in California law to a request for attorneys' fees under Civil Code section 1717 and to modify the award as to attorneys' fees accordingly. White Pacific then paid Reed's attorneys the full amount of the costs awarded by the arbitrators and established an escrow account with a third-party law firm into which it deposited the full amount of attorneys' fees awarded by the arbitrators with instructions that the funds be released to Reed's attorneys if the motion to modify the award was denied.

4. A few weeks later, the arbitrators denied the motion without oral argument. The arbitrators did not award, nor did Reed's attorneys ask them to award, any attorneys' fees in connection with the motion. White Pacific then directed the escrow holder to wire-transfer the funds being held in the escrow account to Reed's attorneys. I am informed and believe that the wire transfer was accomplished on August 1, 2007.

5. Reed's attorneys then demanded that White Pacific also pay them *interest* on the amount of attorneys' fees already awarded and paid. Although the legal basis for this demand was questionable, White Pacific acceded to it, and I am informed and believe that White Pacific wire-transferred another \$2,480.07 to Reed's attorneys on August 10, 2007.

6. In the meantime, Reed's attorneys filed the instant petition in this Court. A quick review of the petition revealed that it failed to allege an adequate basis for federal subject-matter jurisdiction. Moreover, White Pacific already had paid every penny awarded by the arbitrators and demanded by Reed's attorneys and there appeared to be no need for judicial action to enforce the award against White Pacific. I attempted to make these points in an exchange of emails with Reed's attorneys. Ultimately, I proposed that, to get the matter concluded, Reed should dismiss the federal-court action and re-file a petition in the proper state court. If she did so, White Pacific would not object to an order confirming the award. The only concession White Pacific asked was that Reed's attorneys give up their quest for additional attorneys' fees. Reed's attorneys rejected my proposal.

Executed this 20th day of December, 2007 at San Francisco, California.

I declare under penalty of perjury that the foregoing is true and correct.

/s Robert T. Sullwold
Robert T. Sullwold